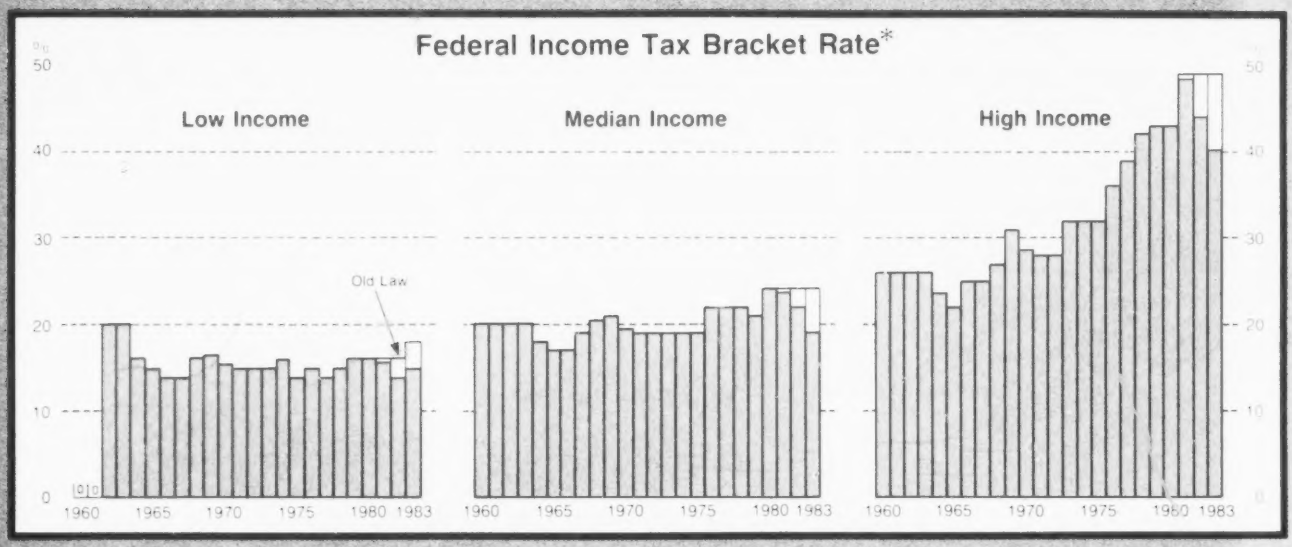
THE CONFERENCE BOARD

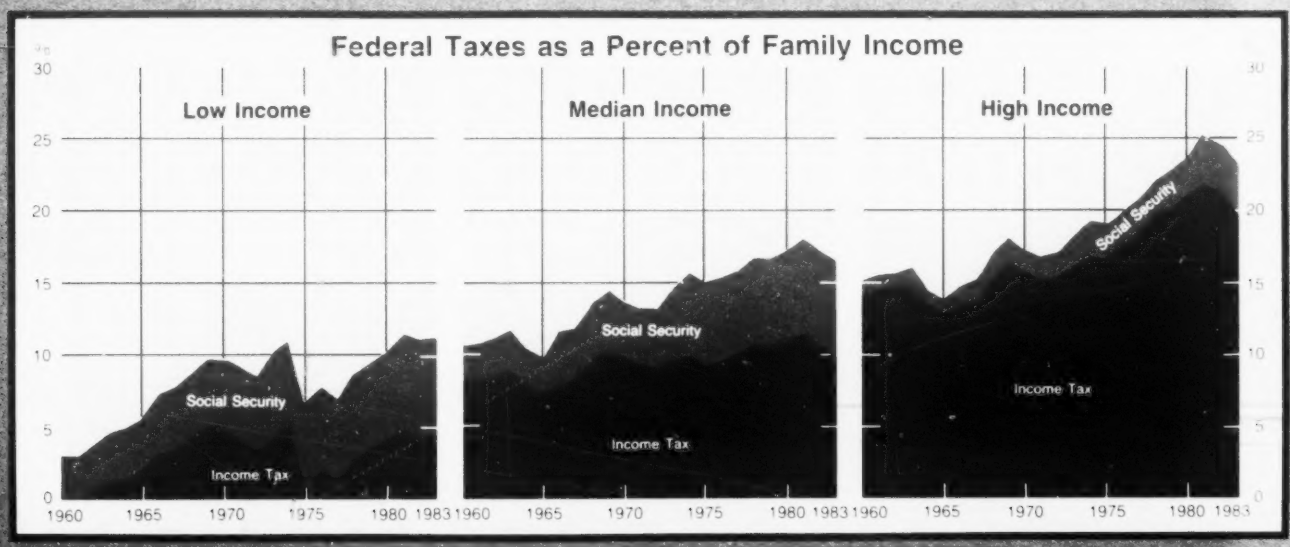
Incomes and Taxes

Economic Road Maps

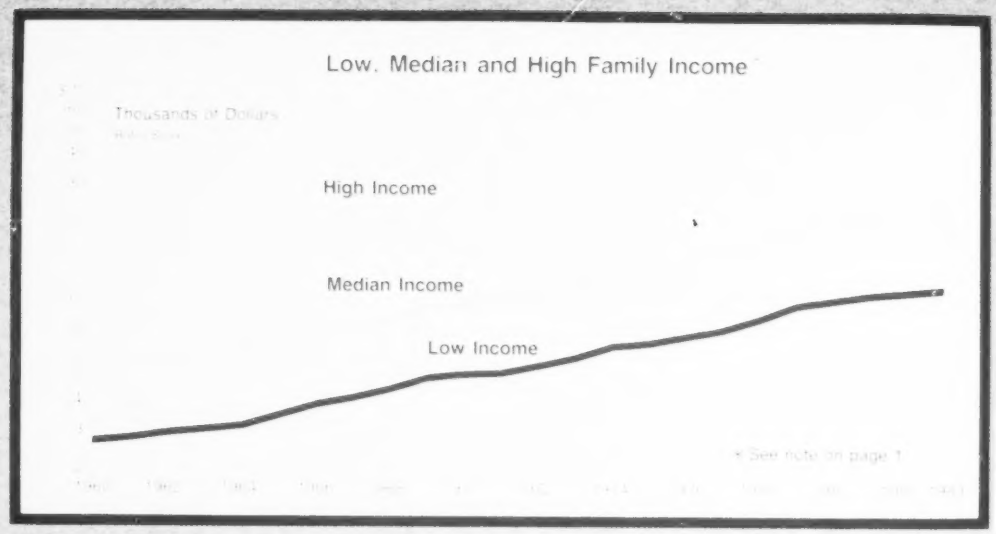
No. 1971 April, 1984

The median income of U.S. families was $23,433 in 1982, the last year for which data are available. The figures presented here assume a 4% rise last year, to $24,370. The upper chart on page 2 traces family income over the years. Much of the advance has, of course, simply reflected inflation. The income rise tended to push taxpayers into higher income-tax brackets, but periodic cuts in federal income taxes have worked to hold down the tax burden on low- and median-income families. However, until that latest round of cuts the burden on high-income families had been rising. Meanwhile, the Social Security tax burden has been rising for all workers, but more noticeably at middle- and upper-income levels (lower chart, below). The low-income family is defined as the one at the 20th percentile of the family income ranking; it had an $11,200 income in 1982. The high-income family is the one at the 95th percentile; its 1982 income was $64,000.





* Family income each year at the 20th, 50th and 95th percentiles of the family income distribution. Estimated for 1983. Family is assumed to consist of four persons, of whom one is the earner.

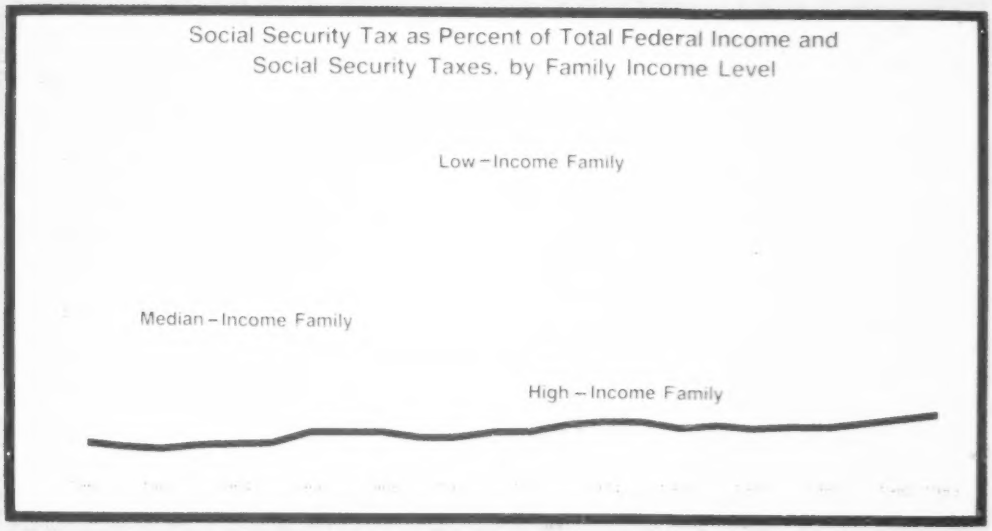


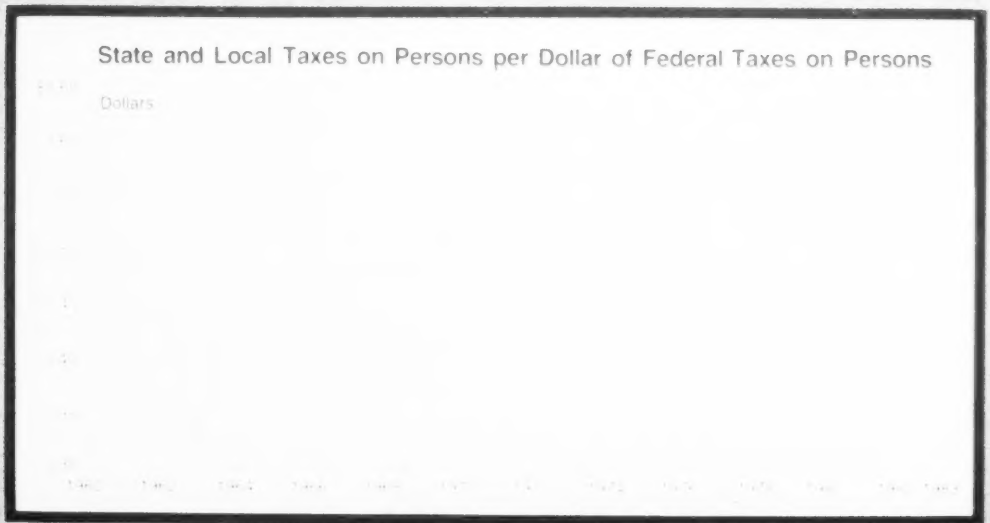
From 1960 to the late 1970's, the median family's federal income-tax bracket rate held very close to 20 percent. It was 19% last year, but would have been 24% in the absence of the tax cuts of the past three years (upper chart, page 1). The low-income family's bracket rate in 1983 was 15%, but would have been 18% absent the tax cuts. Bracket creep has been more pronounced for high-income families. From about 25% in the early 1960's, their bracket rate went to 43% in 1979 and 1980, and would have been 49% since then absent the tax cuts.

The federal income tax took an estimated 9.8% of the median family's income in 1983, a burden that was down from 11.4% in 1981. For high- and low-income families, the 1983 burdens were 19.6% and 4.4%, respectively (lower chart, page 1).

The Social Security tax burden has been rising for everyone. The rise is sharper at middle- and upper-income levels than at low incomes, because the amount of income subject to taxation has risen much faster (from $7,800 in 1970 to $36,200 in 1984) than the tax rate (from 4.8% in 1970 to 7.0% in 1984). In 1983, the Social Security tax was 60% of total federal taxes paid by the low-income family, 40% for the median-income family, and 15% for the high-income family.

Lora S. Collins


Social Security Tax as Percent of Total Federal Income and
Social Security Taxes, by Family Income Level
Low-Income Family
Median-Income Family
High-Income Family



Sources: Bureau of Census; Bureau of Economic Analysis; The Conference Board.

ECONOMIC ROAD MAPS

Eva Culen, Editor Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director
Prices for Quantities of this chart will be supplied on request to Information Service.

Published by
THE CONFERENCE BOARD, INC.
845 Third Avenue, New York, N.Y. 10022 Avenue Louise, 207 Bte 5 B-1050 Brussels, Belgium
THE CONFERENCE BOARD OF CANADA
25 McArthur Road, Ottawa, Ontario K1L-6R3, Canada

The Conference Board

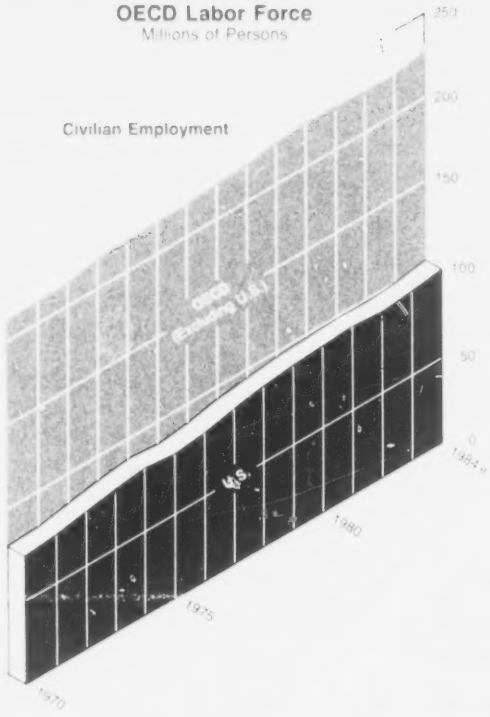
Employment and Unemployment in Industrial Countries

Economic Road Maps
Nos. 1972-1973

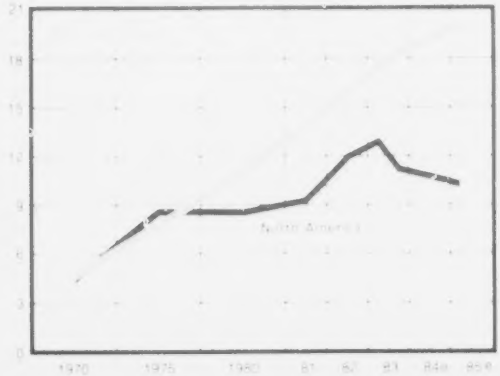
May 1984

The economic recessions of the mid-1970's and early 1980's resulted in high unemployment in western industrial countries. The number of unemployed in the OECD countries rose from 9 million in 1970 to 19 million in 1980 and, despite the recent economic recovery, the number of jobless is expected to be almost 30 million this year. North America, where unemployment is on the decline, is the notable exception in this otherwise gloomy outlook. In addition to the economic losses, this large-scale dislocation of the labor force is creating social and political problems for the countries in question.

OECD Labor Force
Millions of Persons



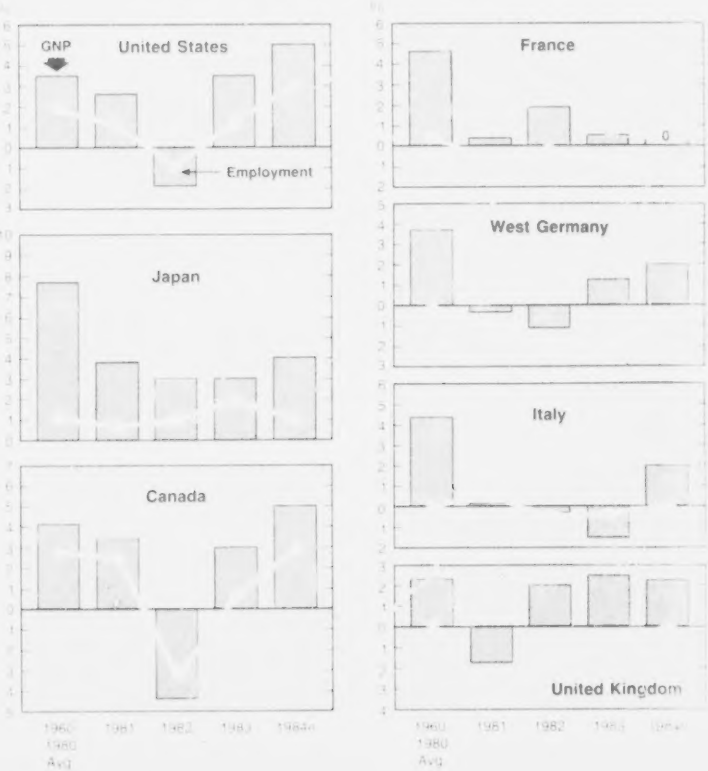
Number of Unemployed



e - Estimates

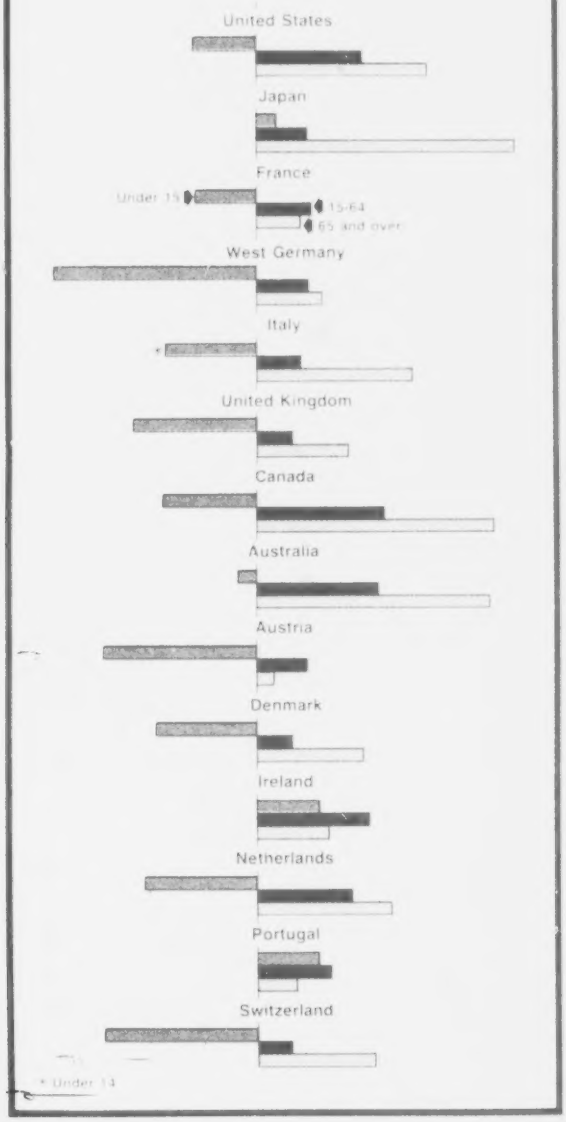
What are the causes for such large increases in unemployment? Reduced availability of jobs during downturns is obvious, but demographic factors such as population growth, age distribution, and labor-force participation rates are all important. Population growth is slowing in the developed countries. This reflects declining birth rates. Within the broad framework of a slowdown in population growth, there is the more significant change in the age structure of the population. The number of children under age 15 declined in most countries between 1975 and 1982; the heaviest drop was sustained in Germany, where the number of young people declined by 19%, but Switzerland, the United Kingdom, Austria and the Netherlands all registered declines of over 10 percent.

Percent Change in GNP and Employment

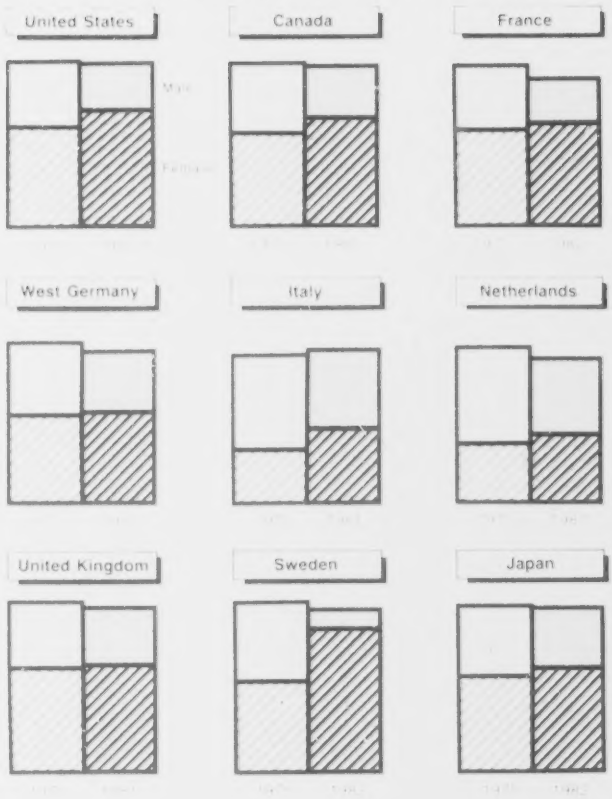


01/87

Changes in Age Structure of Population, 1975-1981

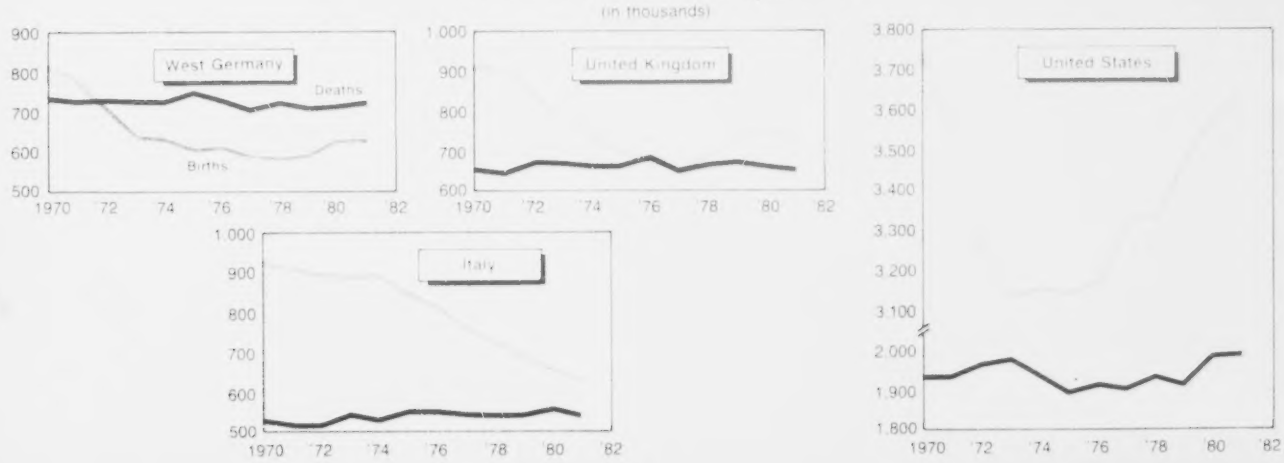


Participation Rates



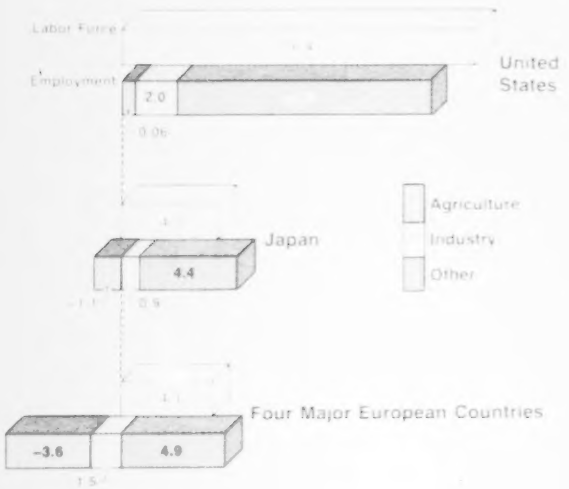
The labor force in the OECD countries grew by about 56 million in the 1970's and early 1980's. At the same time, the number of available jobs shrank, mainly as a result of ailing economies, and employment during the period rose by only 36 million. The U.S. labor force showed the most vigorous growth—some 16½ million between 1975 and 1982; employment grew more slowly, but all sectors gained with the largest increase in the services. Agricultural employment fell by a million in Japan, but gains in other sectors more than compensated for that decline. Europe's major countries (France, Germany, Italy, United Kingdom) experienced a decline in both agricultural and industrial employment. Losses in

Natural Increase of Population

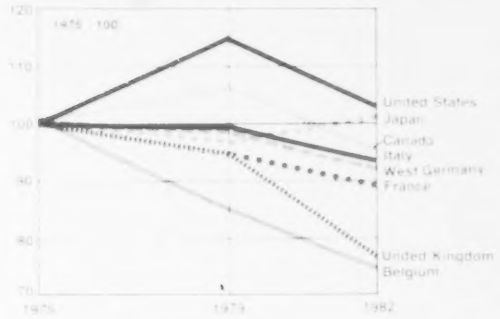


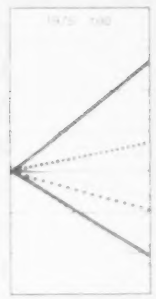
Change in Labor Force and Employment 1975-1982

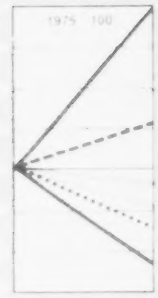
Millions of Persons

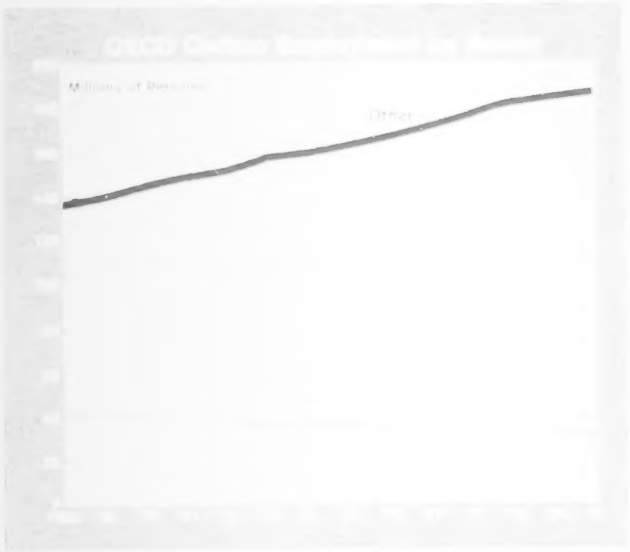


Change in Manufacturing Employment









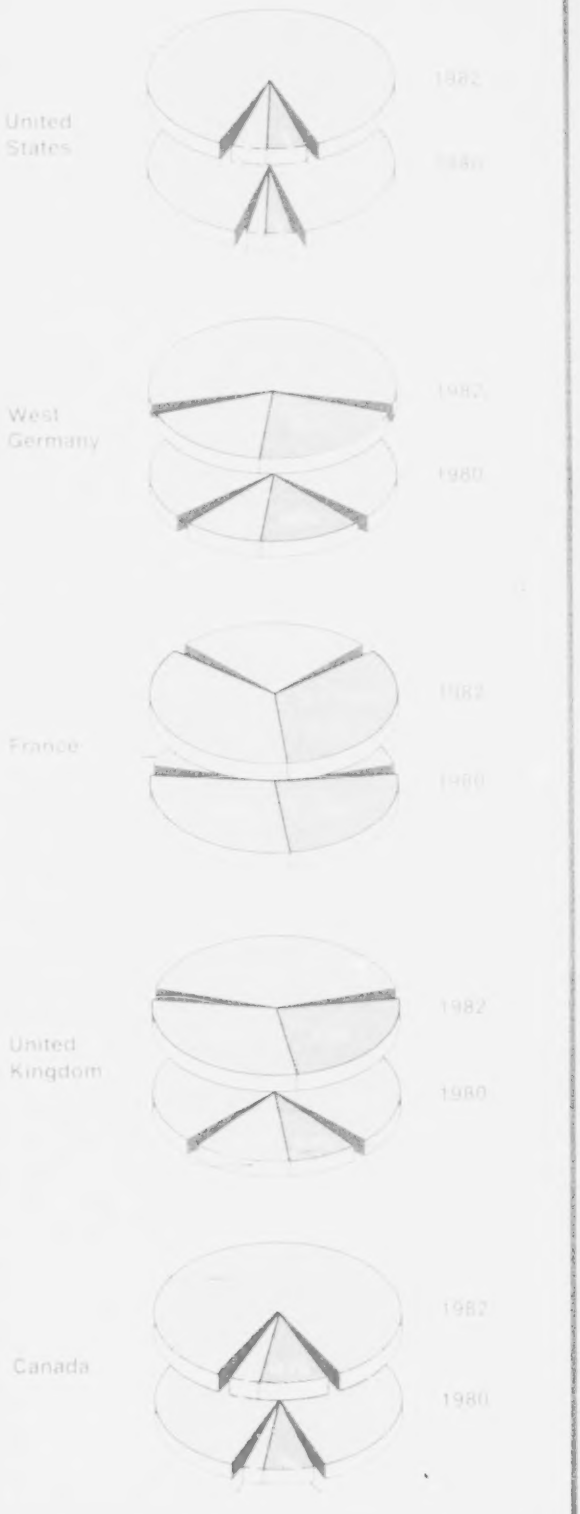
agricultural employment were especially steep in Germany and Italy, amounting to about 23% from 1975 to 1983. In the industrial sector, the hardest hit was the United Kingdom with employment declining by 23 percent. The service industries registered advances in all countries. The labor force is expected to continue increasing in the OECD at a rate of approximately 3½ to 4 million annually, to the end of the decade. As economic recovery continues to pick up, the participation rate—that is, the proportion of the adult population employed or looking for work—should also increase since more people look for jobs when they think their chances of finding work improve. But in the short run the number of jobs is not expected to grow in proportion to the number of job seekers, on the contrary, it will

Percent Change in Employment by Sector

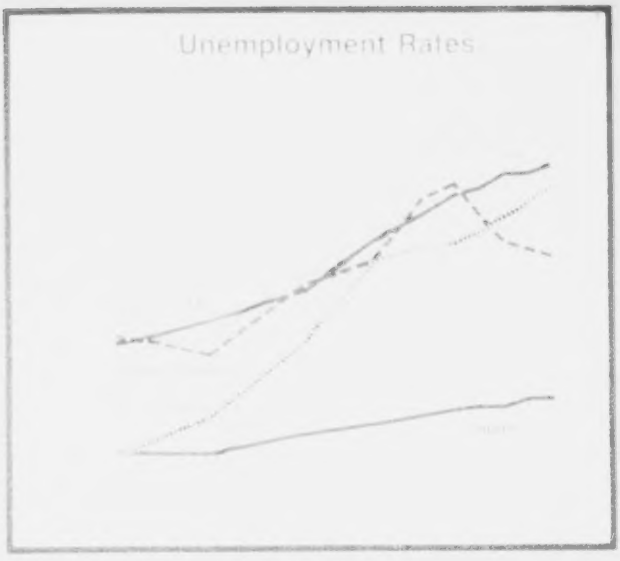
Selected Countries, 1975-1983*

* 1982

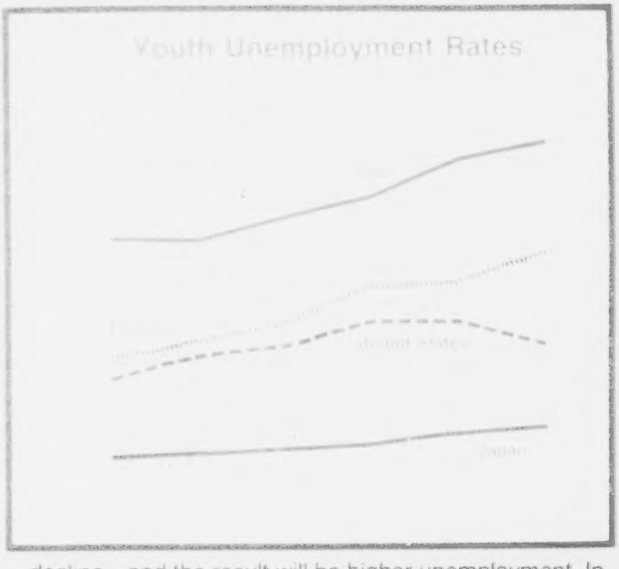
Long Term Unemployment as Percent of Total Unemployment



Unemployment Rates



Youth Unemployment Rates



decline—and the result will be higher unemployment. In the United States, employment is expected to show continued growth.

Another aspect of the pervasive nature of the unemployment situation is the rapid rise in long-term unemployment. While four out of five of those unemployed in the United States found jobs in less than six months in 1982, 17% remained jobless for more than six months. In 1980, only 11% were unemployed for such a length of time. The situation is considerably worse in Europe: Over 60% of the jobless in France have been out of work for more than six months and more than 40% have remained jobless for more than one year. The United Kingdom exprienced the most pronounced acceleration in long-term unemployment—from 34% in 1980 to 54% in 1982.

Eva Culen

Sources: Organization for Economic Co-operation and Development; The Conference Board.

ECONOMIC ROAD MAPS

Eva Culen, Editor Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

Prices for Quantities of this chart will be supplied on request to Information Service.

Published by

THE CONFERENCE BOARD, INC.

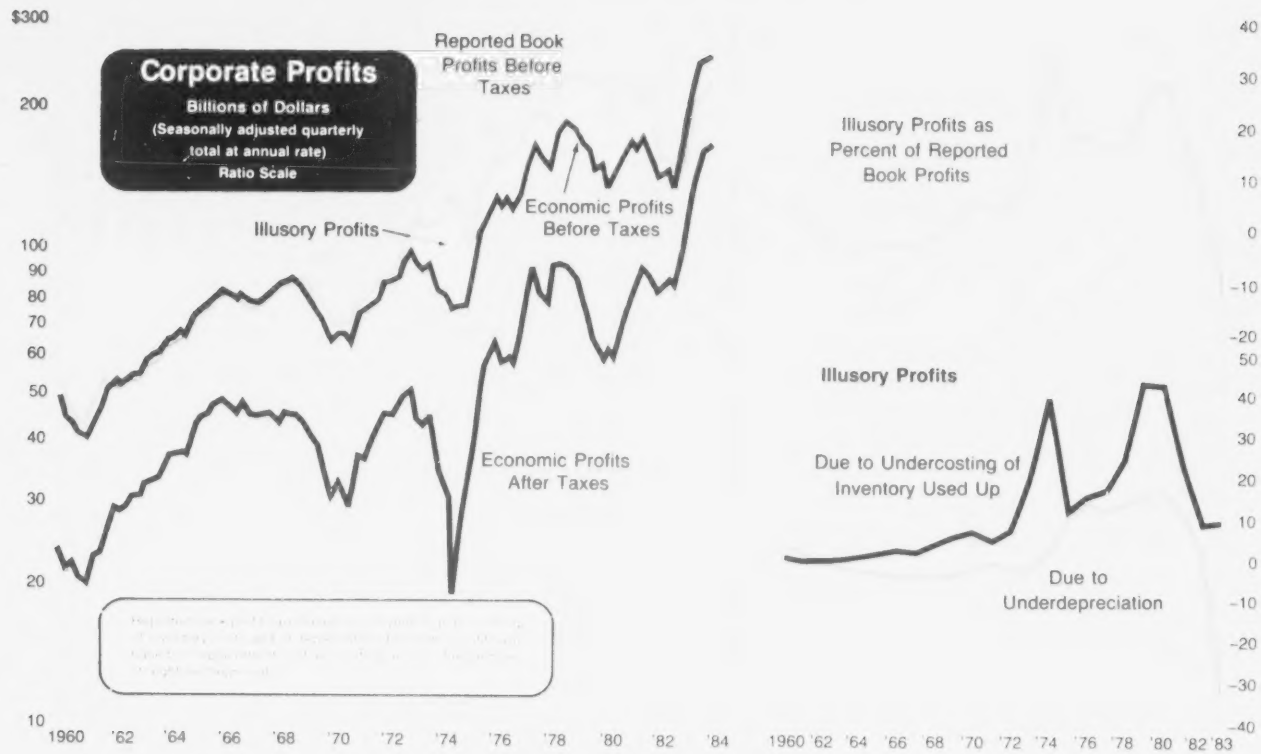
845 Third Avenue, New York, N.Y. 10022 Avenue Louise, 207 Bte 3 B-1050 Brussels, Belgium

THE CONFERENCE BOARD OF CANADA

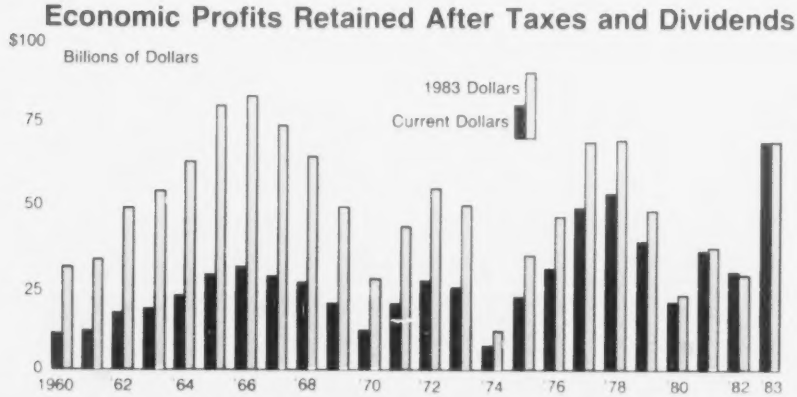
25 McArthur Road, Ottawa, Ontario K1L-6R3, Canada

The Conference Board

Profit Trends, 1984

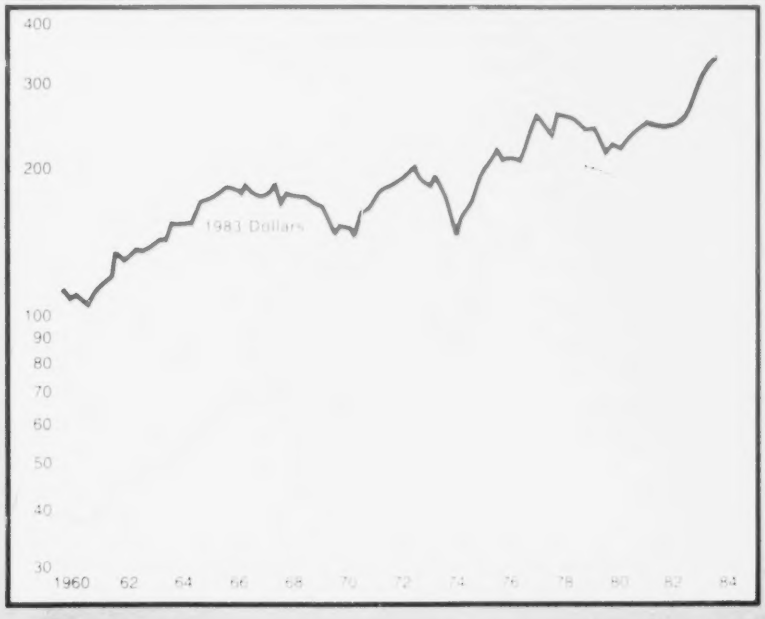


Economic Profits Retained After Taxes and Dividends



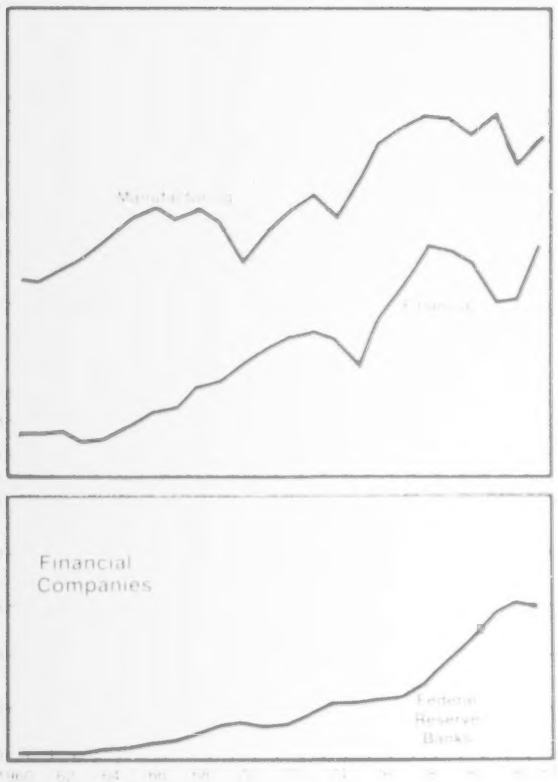
The tax laws largely determine what methods companies use to calculate the amount of depreciation charges they include in their reported costs. The tax changes enacted in 1981 allow faster write-offs for fixed capital investments, resulting in larger depreciation charges and, therefore, lower profits than would otherwise be reported. According to calculations by the Commerce Department's Bureau of Economic Analysis, corporations in the aggregate are now overdepreciating, relative to the Bureau's conservative estimate of "true"

Productivity, Labor Cost and Profitability
Nonfinancial Corporations
1983 = 100
Labor Cost
Per Unit
of Output
Percent Change from Four Quarters Earlier
Labor Cost
Per Hour


400
300
200
1983 Dollars
100
90
80
70
60
50
40
30
1960
62
64
66
68
70
72
74
76
78
80
82
84

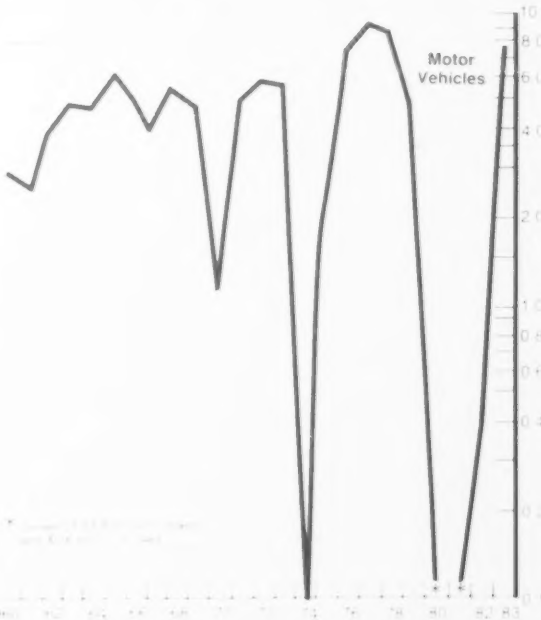
Pretax Profits by Industry

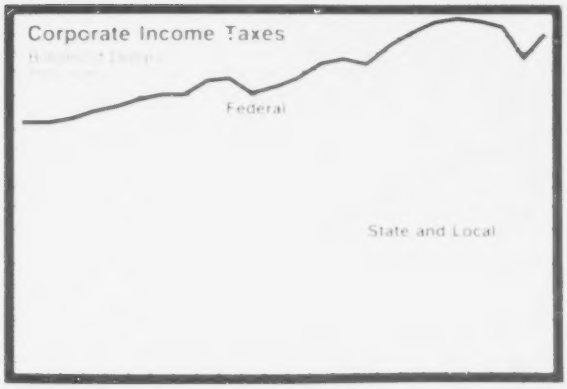
(Billions of Dollars)

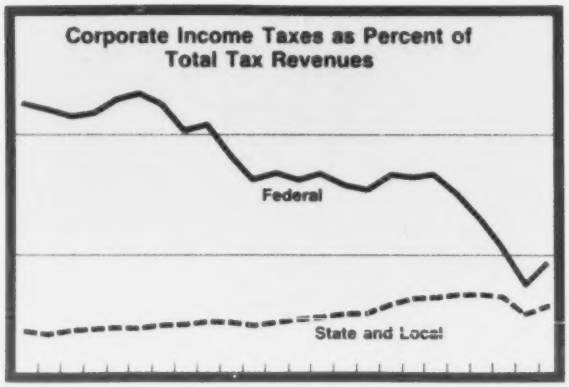


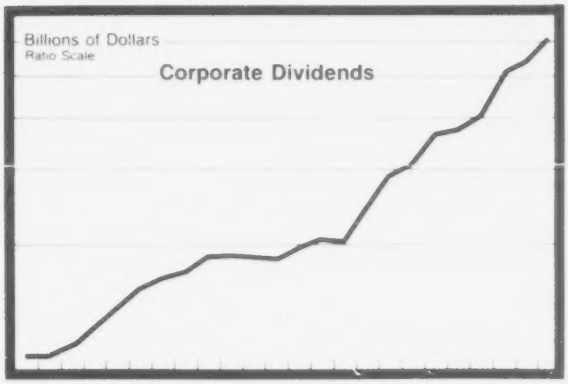
Manufacturing Companies

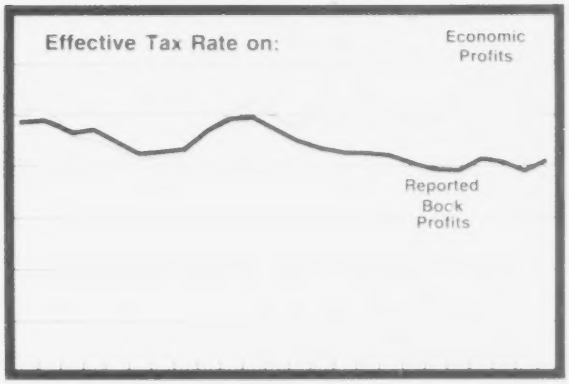
Nonfinancial Nonmanufacturing Companies

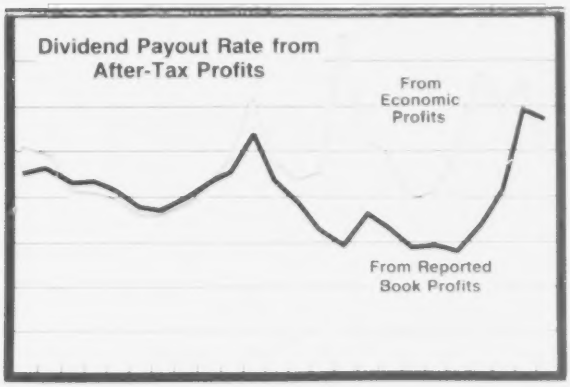












the breakdown of financial company profits are charted on ratio scales to facilitate comparison of the rates of profit increase and decrease in the various industries. Not surprisingly, the profits of durable goods producers are clearly the most sensitive to the business cycle. However, there are big manufacturing industries in the nondurables sector whose profits are not volatile, and the aggregate of manufacturing profits behaves very similarly to the aggregate for nonfinancial, non-manufacturing companies. Financial industry profits include those of the Federal Reserve Banks, which legally are incorporated enterprises. Most of these profits are turned over to the U.S. Treasury. The greater volatility of other financial industry profits in recent years reflects the impact of escalating interest rates, especially on thrift institutions.

Companies are taxed on their reported profits. This has meant, during the past decade or more, a considerably higher effective rate of tax on economic profits than on reported profits. Likewise, the rate of dividend payment from after-tax economic profits has been considerably higher than the payout rate as conventionally calculated. In 1983, however, with economic profits exceeding reported profits, the situation was reversed. The effective tax rate on economic profits last year was 37.0% and dividend payouts took 47.2% of after-tax economic profits.

Lyra S. Collins

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The Conference Board

Published by
THE CONFERENCE BOARD, INC.
845 Third Avenue, New York, N.Y. 10022 Telephone [illegible] Brussels, Belgium
THE CONFERENCE BOARD OF CANADA
[illegible] Ottawa, Ontario, K1Y 4R8, Canada

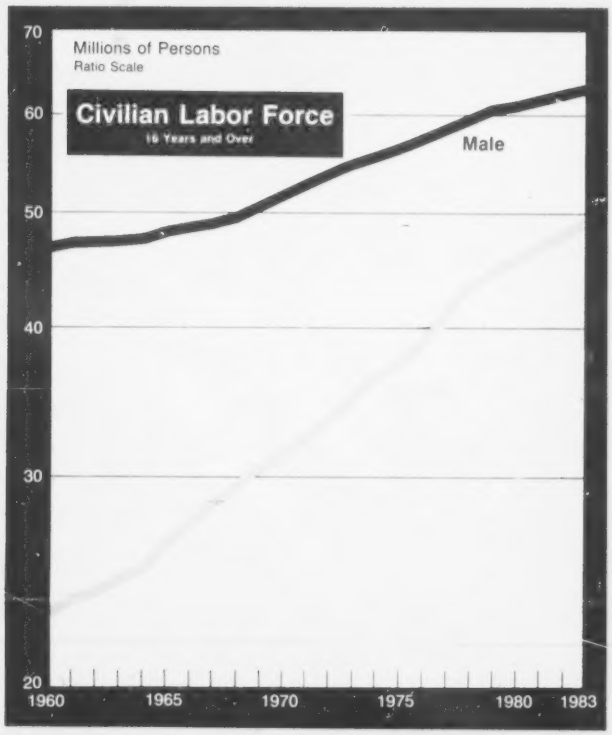
The Conference Board

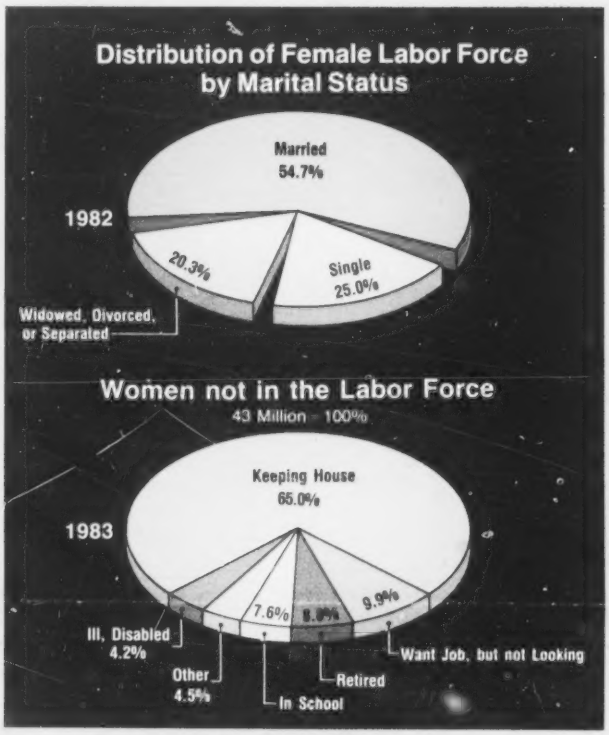
Women: A Progress Report

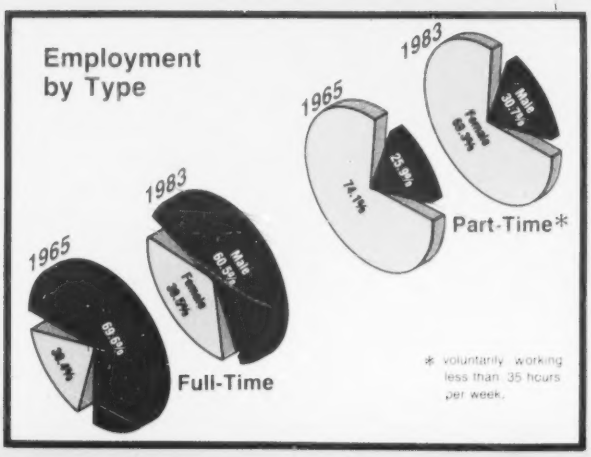
Economic Road Maps
Nos. 1976-1977

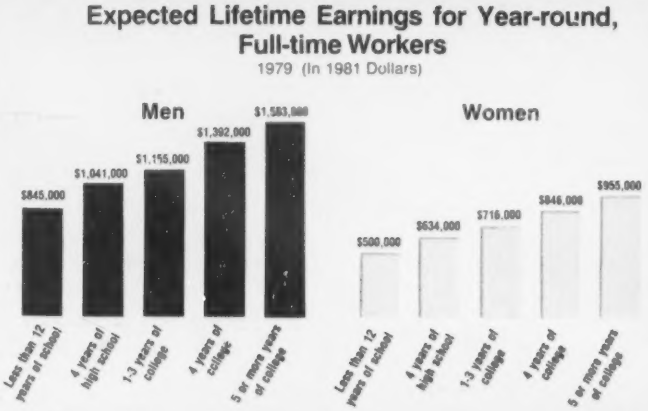
July, 1984

One of the most significant developments of the post-World War II era has been the change in the role of women in society, a development that has left a mark on all levels of social, economic and political activity. A major aspect of change has been the huge inflow of women into the U.S. labor force, a phenomenon which continues unabated. Economic activity outside the home, accompanied by a degree of financial independence, is reshaping women's attitudes toward society and, by raising expectations and offering options, leading to further changes.

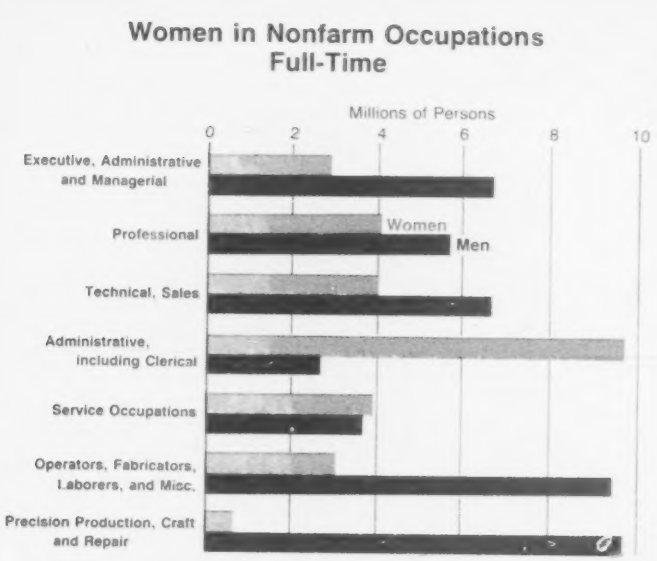


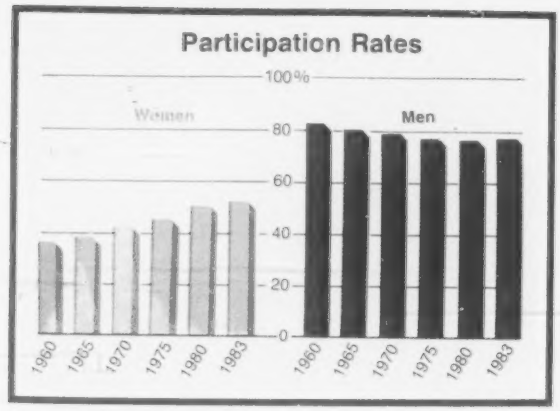






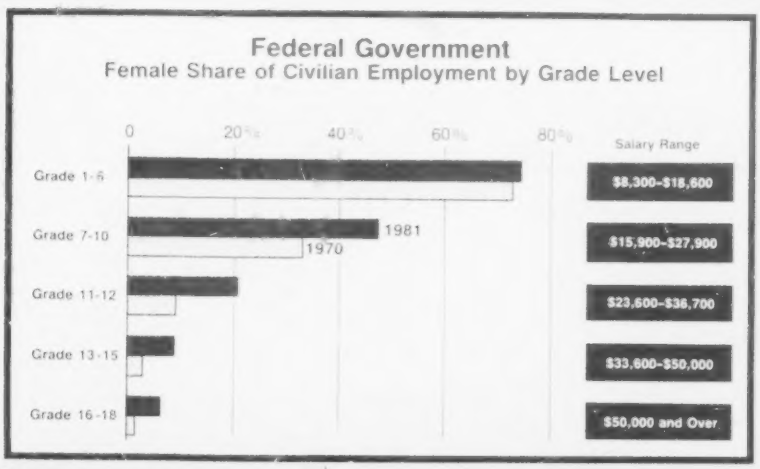
Note: Earnings are from age 18 through age 64.

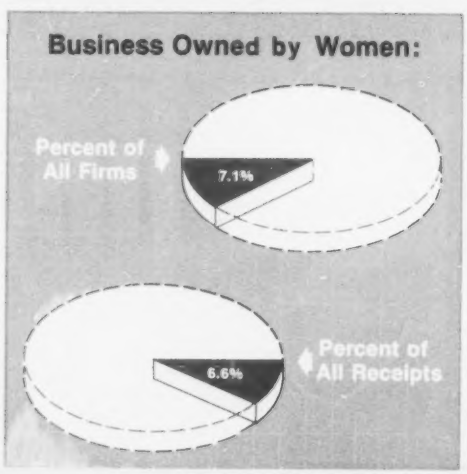




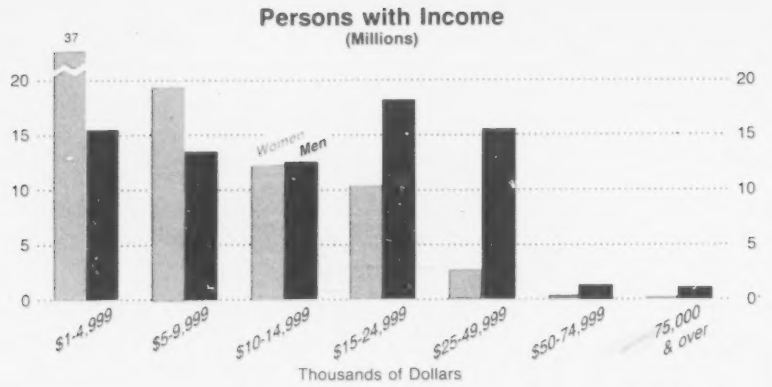
Not only are more women in the labor force today than in the past, they tend to be different from the women of a few decades ago in many respects. For one, they marry later, have fewer children, divorce in greater numbers but also remarry more often, are better educated, and maintain separate households much more often than in the past. The number of women in the civilian labor force more than doubled between 1960 and 1983, from 23 million to 48.5 million; during the same period, the number of men went up 36% from 46 to 63 million. While the male labor-force participation rate is higher than that of women, the men's rate has been declining over time (from 83% to 76% since 1960) while the women's has risen from 38% in 1960 to 53% in 1983. Women with children between the ages of 6-17 have the highest participation rate, but the fastest rise in the rate during the 1970's and 1980's occurred among women with children under the age of six. Three-quarters of all women in the labor force are, or have been, married; of those not in the labor force, a majority are women with household responsibilities. Women still account for a large, albeit declining, share of part-time employment, but they also account for 40% of all full-time workers.

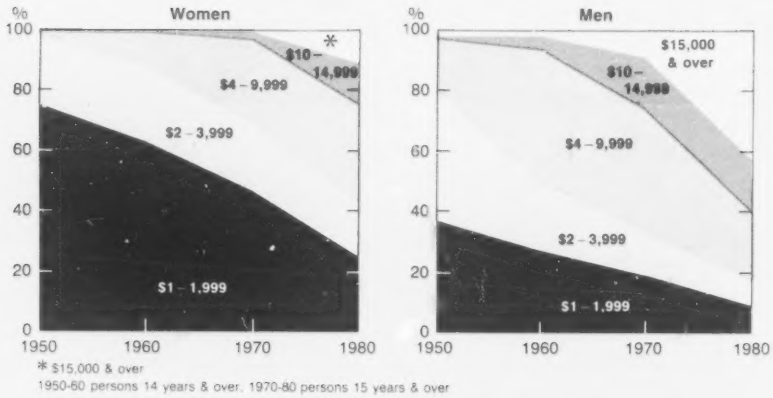
Women have attained a parity of sorts in education. As many women as men are enrolled in and graduated (with the exception of doctoral degrees) from the nation's colleges and universities these days. But their academic work is still highly concentrated in fields such as education, humanities and health sciences. They lag in physical sciences, engineering and graduate training. Women have increased their share of professional degrees, but they still lag considerably behind men. The number of women receiving medical degrees went from 387 in 1960 to 3,833 in 1981 (25% of that year's total), while women law graduates in 1981 numbered almost 12,000, up from 230 some twenty years earlier. Employed women are still concentrated in relatively few occupations: More than half are in clerical and service jobs. They are also overrepresented in low-paying jobs. In civil service, for example, women account for over 70% of the Federal Government's white-collar employees at the lowest





*Full-time, white collar





grade levels, but their proportion declines sharply thereafter, and only slightly over 6% of employees at the most senior level are women.

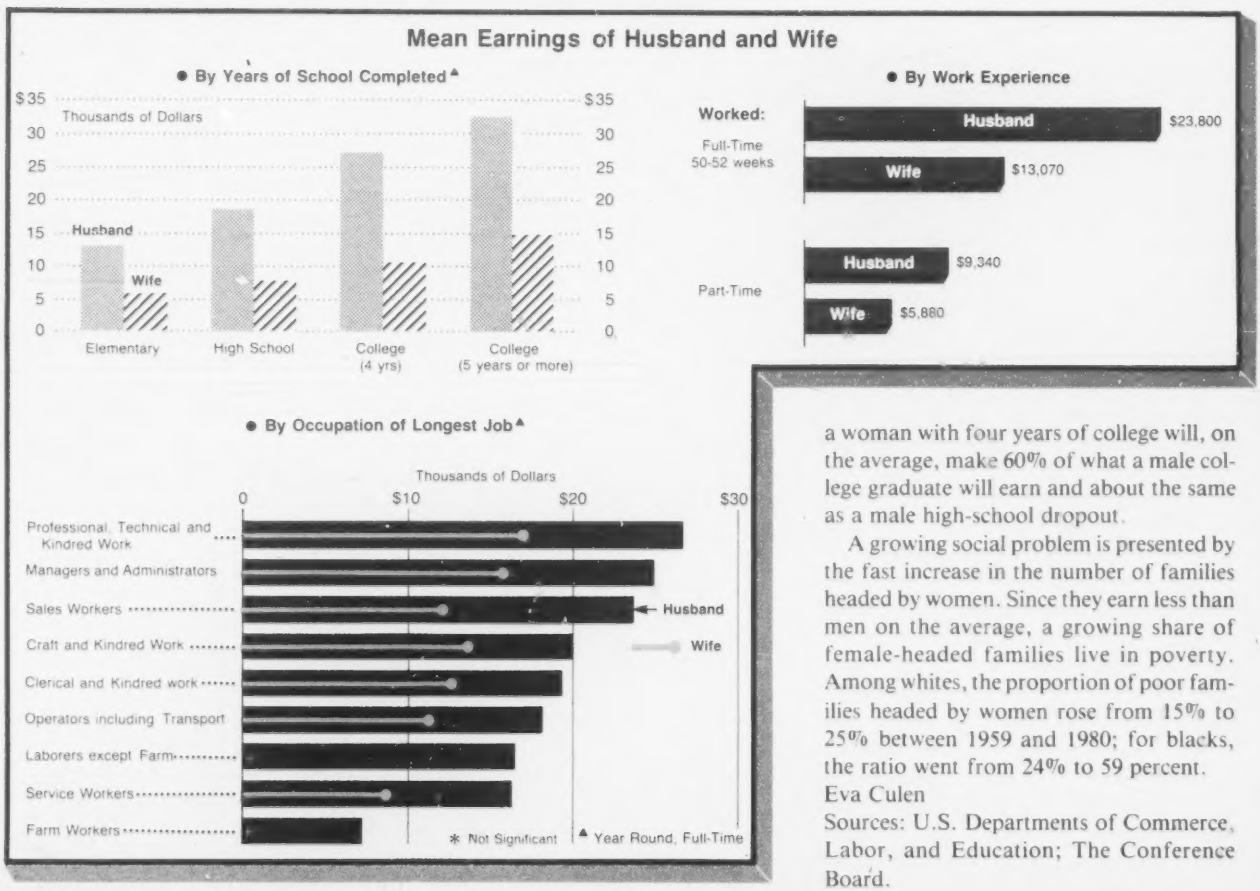
Women have also fared poorly in elective offices, especially at the federal level. The number of women in Congress has not changed significantly over the years, and remains minimal today. At the state and local level, however, their numbers have been expanding; the number of women mayors rose from 566 in 1975 to 1,680 in 1981.

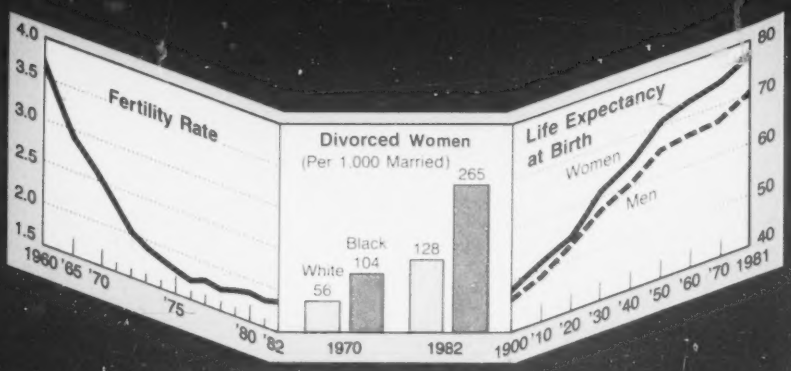
Women's gains in employment have not translated into wages and salaries comparable to those of men. This in spite of the fact that more and more women are working full time, and that the educational gap between men and women has all but disappeared. Measured by any yardstick, be it educational level, length of work, or occupational groupings, women are consistently paid less than men. Men's earnings are consistently higher even in such traditionally female occupations as clerical work. Women's earnings continue to average about 60% of men's, a ratio that has hardly changed since the 1960's. Lifetime expected earnings for women (working year round, full-time) are about 60% of those of men, irrespective of educational attainment. Thus, a woman with four years of college will, on the average, make 60% of what a male college graduate will earn and about the same as a male high-school dropout.

A growing social problem is presented by the fast increase in the number of families headed by women. Since they earn less than men on the average, a growing share of female-headed families live in poverty. Among whites, the proportion of poor families headed by women rose from 15% to 25% between 1959 and 1980; for blacks, the ratio went from 24% to 59 percent.

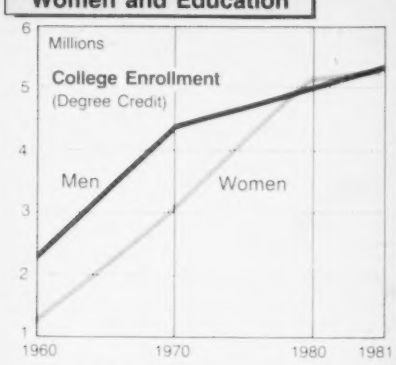
Eva Culen

Sources: U.S. Departments of Commerce, Labor, and Education; The Conference Board.



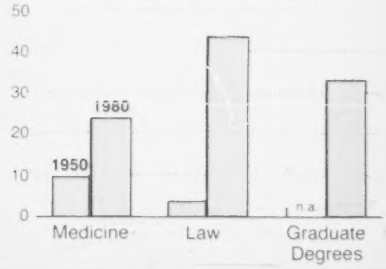


Women and Education



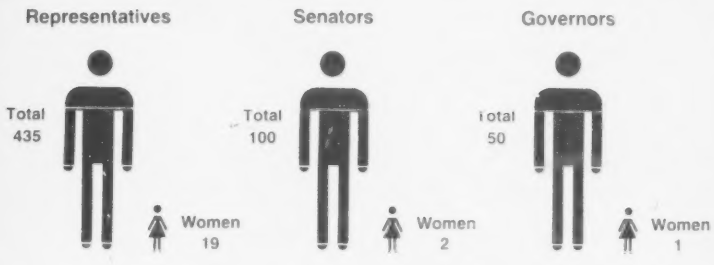
Professional and Graduate Degrees Conferred

(Women as Percent of Total)

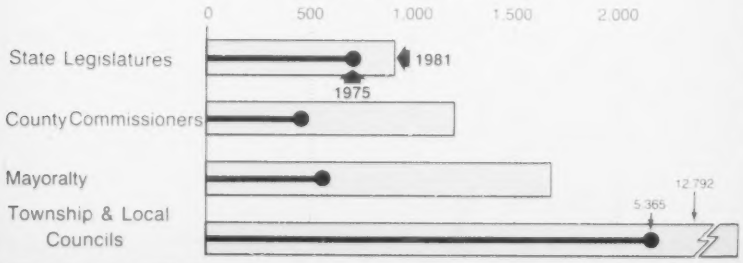


Women in Public Office

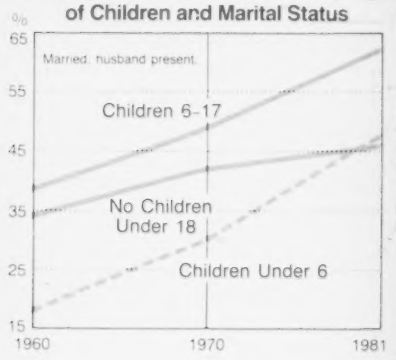
1981

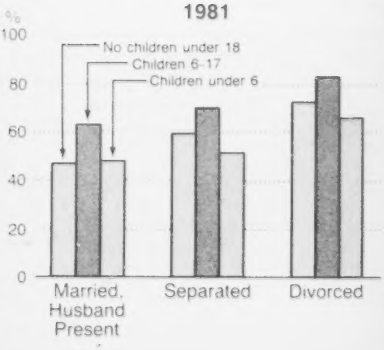


State and Local Offices



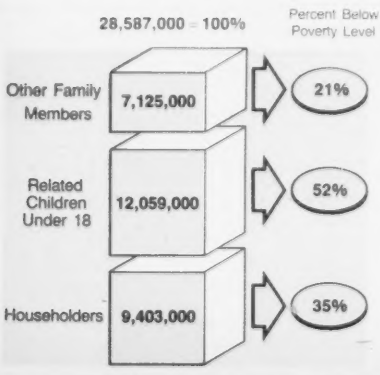
Participation Rates of Women by Age of Children and Marital Status



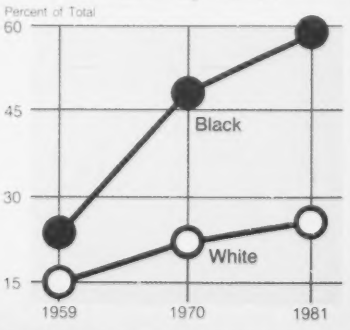


Women and Poverty

Persons in Families with Female Householder, no Husband Present



Families under Poverty Level Headed by Women



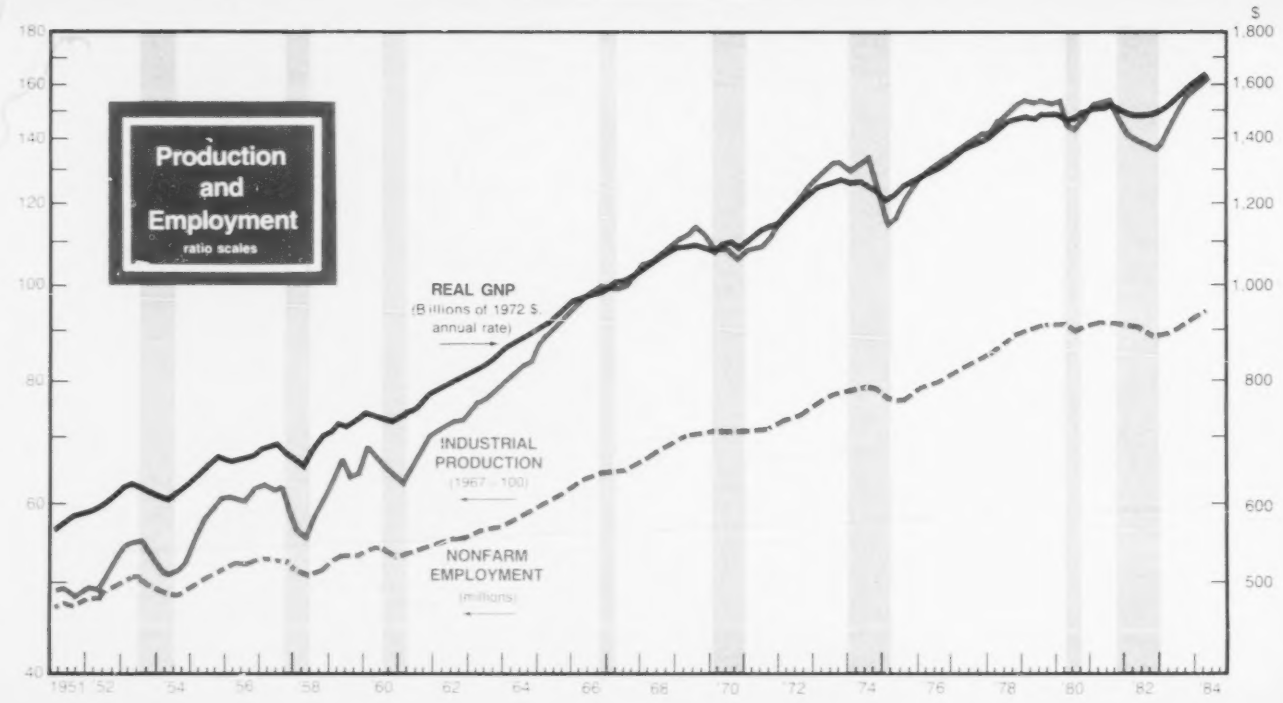
The Conference Board

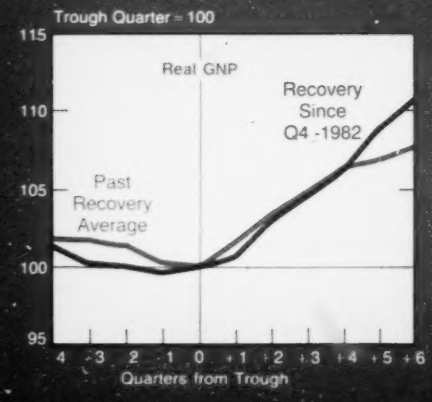
Perspective on the Economic Expansion

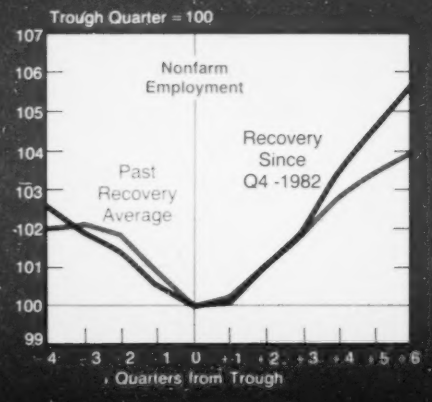
Economic Road Maps
Nos. 1978-1979

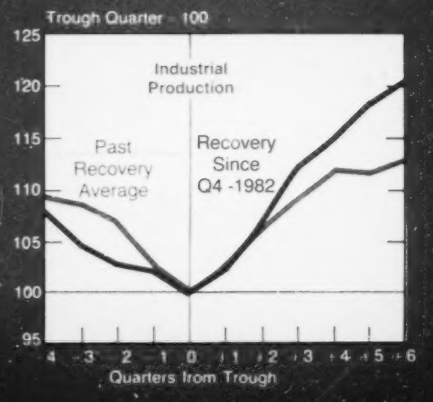
August, 1984

The last recession touched bottom in November 1982. The first year of the ensuing recovery traced a path very similar to the average of past recoveries, but in the following six months—comprising the first half of 1984—the current recovery was distinctly stronger than the past average. Although some economic measures had still not regained their pre-recession peak levels as of mid-1984, this was generally the case only for measures that had taken especially deep plunges in the recession. The inflation rate hit its low after the low in overall economic activity. It has since moved up but remains far below the pace in 1980-1981.

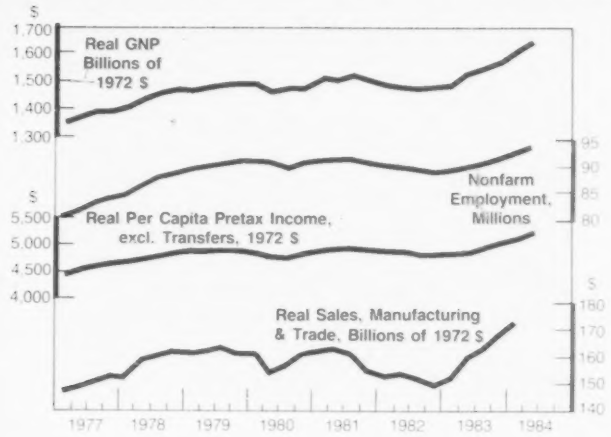


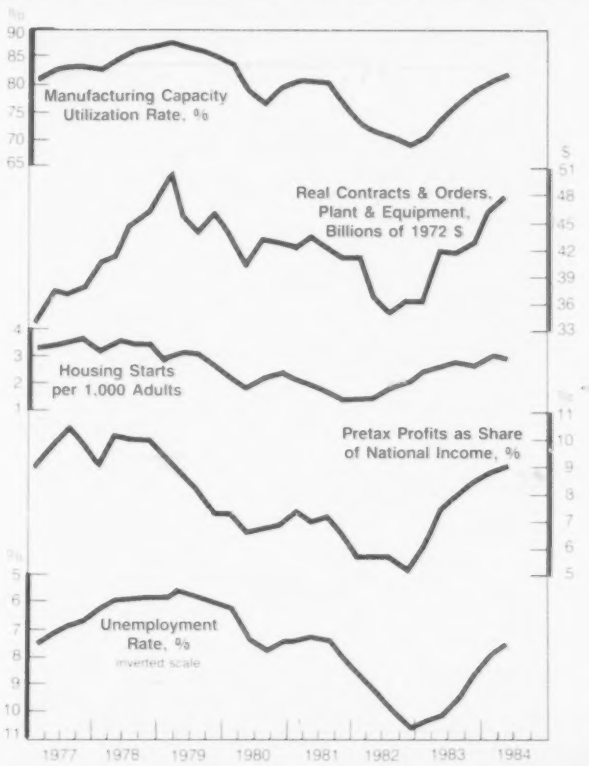






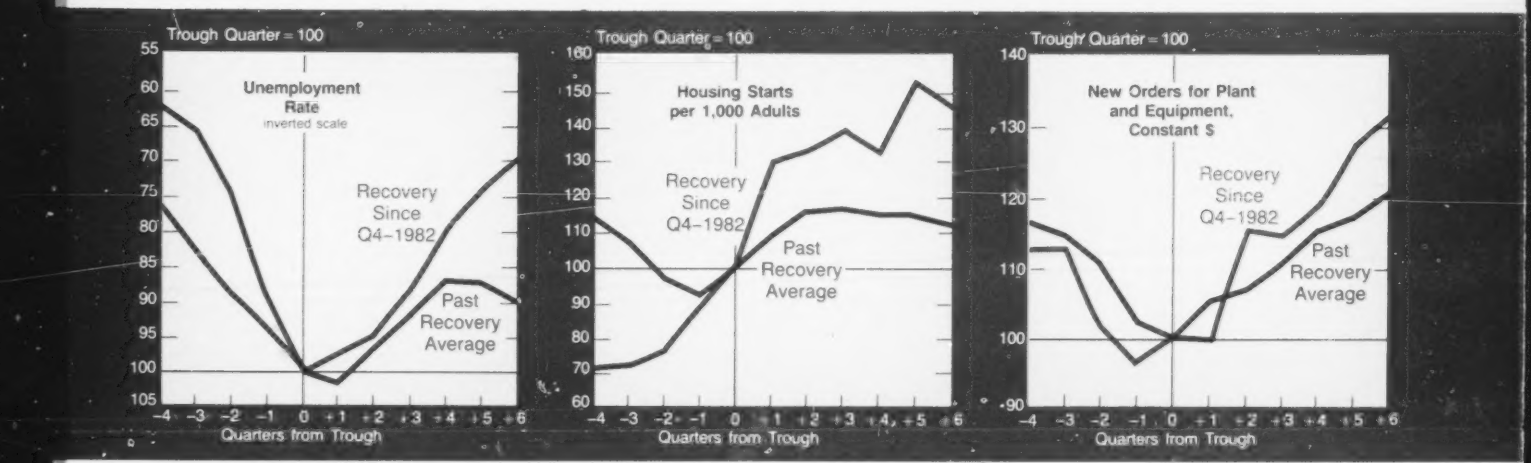
Broad production and income measures have reached new highs, but many others remain below pre-recession peaks.



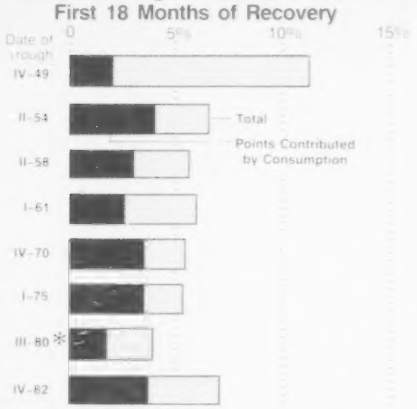


The past recovery averages charted in this Road Map are averages of the six recoveries beginning with the one that got underway in mid-1954. The charts showing long spans of data are shaded to indicate the six associated recessions as well as the so-called "mini-recession" of 1966-1967.

The four series charted above left are broad measures of economic activity which are usually able to regain pre-recession peaks quickly, once a slump is over. The series charted above right are ones which tend to be thrown for greater losses and to take longer to recover.



Percent Change in Real GNP in the First 18 Months of Recovery



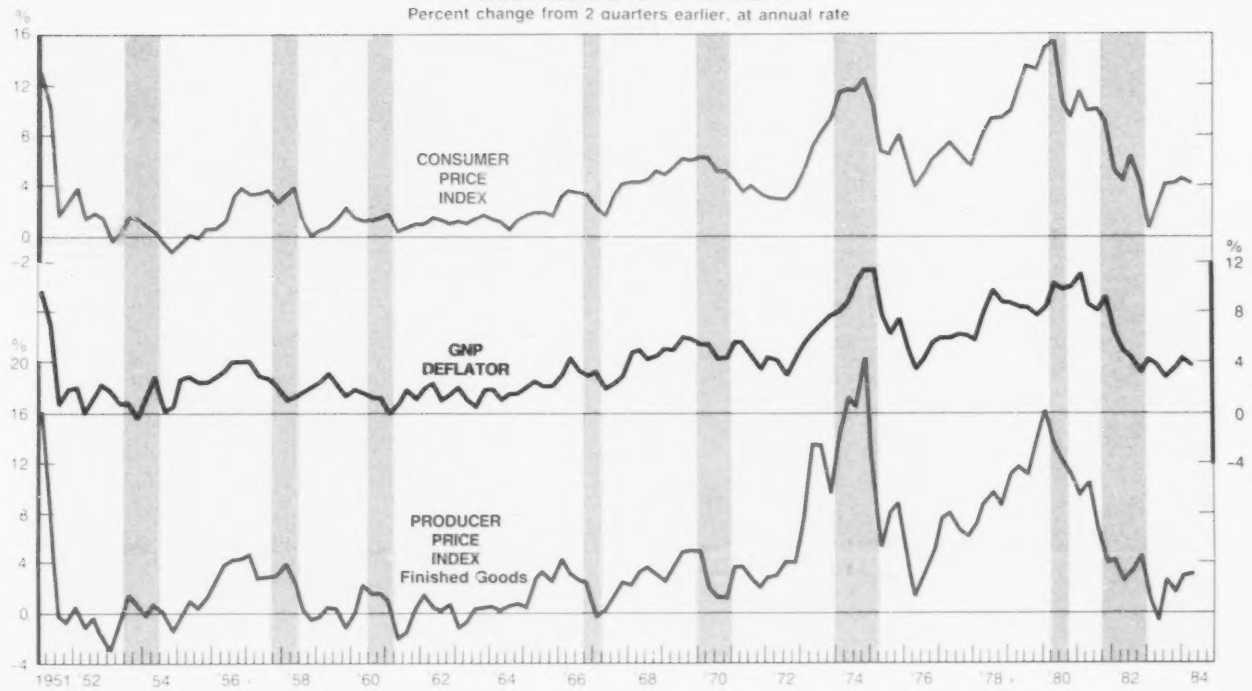
*Calculation is to latest peak, which occurred one year after trough.

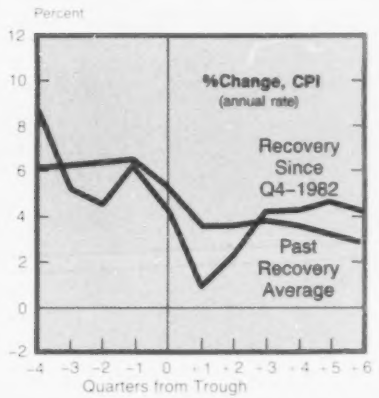
Employment Diffusion

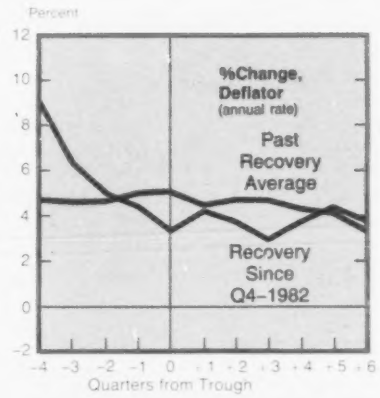
Percent of Industries with Employment up from 6 Months Earlier

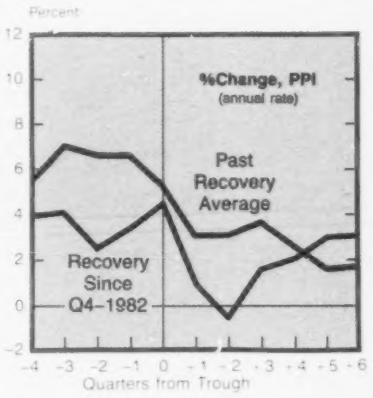
Three Measures of Inflation

Percent change from 2 quarters earlier, at annual rate

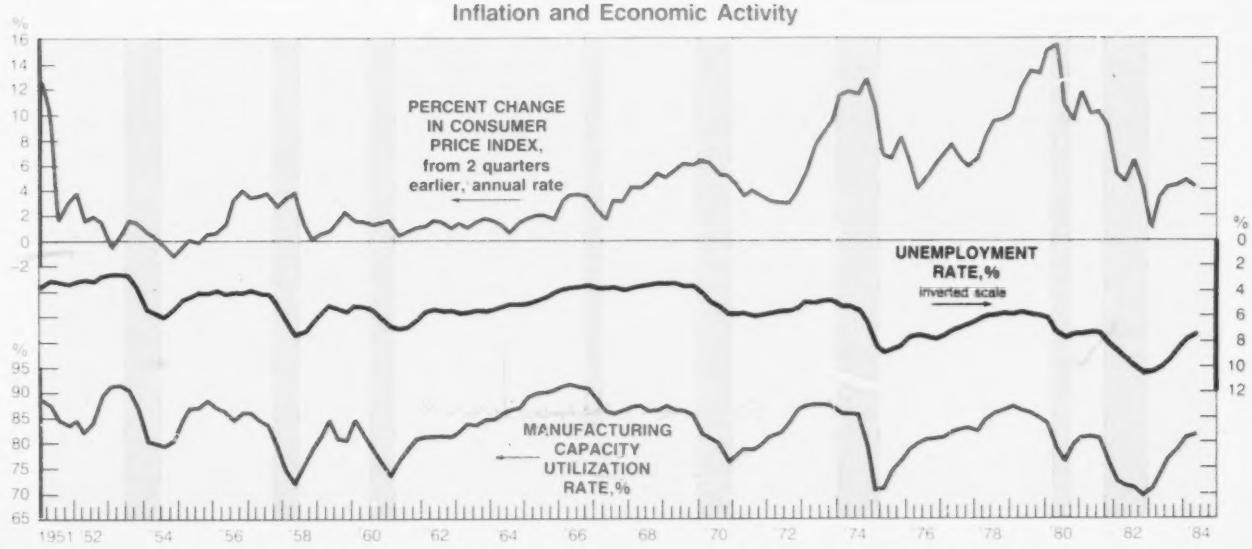


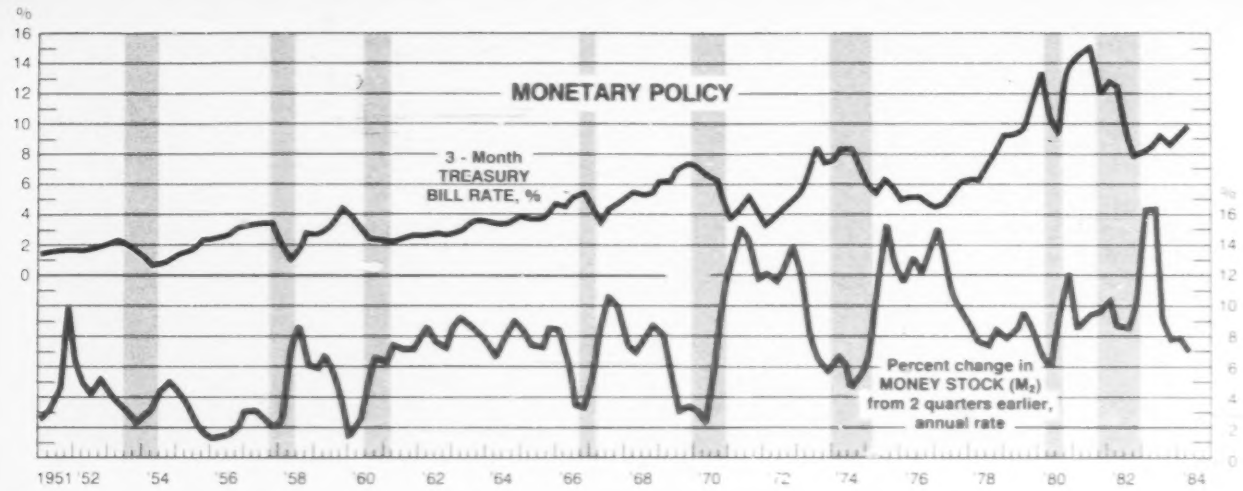




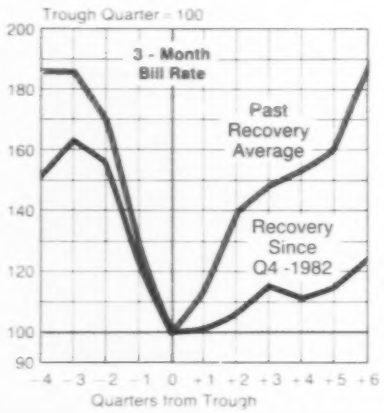


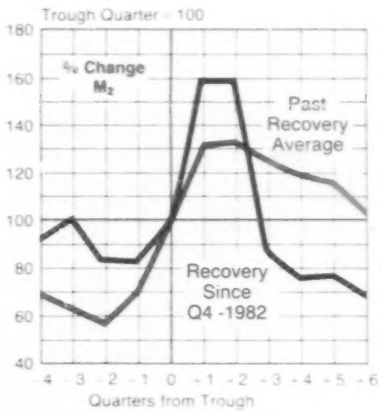
Inflation and Economic Activity

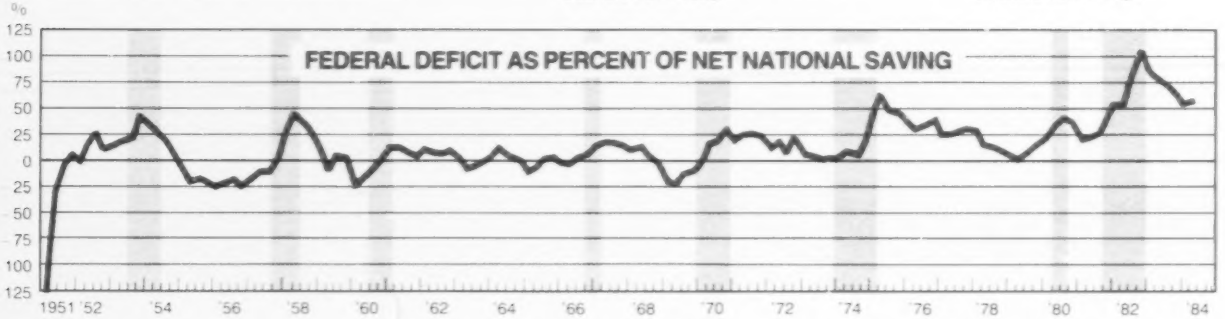

%
PERCENT CHANGE IN CONSUMER PRICE INDEX, from 2 quarters earlier, annual rate
UNEMPLOYMENT RATE,% inverted scale
MANUFACTURING CAPACITY UTILIZATION RATE,%
1951 '52 54 56 58 60 62 64 66 68 70 72 74 76 78 80 82 84


%
MONETARY POLICY
3 - Month
TREASURY
BILL RATE, %
Percent change in
MONEY STOCK (M_2)
from 2 quarters earlier,
annual rate
1951 '52 '54 '56 '58 '60 '62 '64 '66 '68 '70 '72 '74 '76 '78 '80 '82 '84

Inflation is a monetary phenomenon in the sense that inflation cannot persist unless there is enough growth in total dollar purchasing power to keep it going. In the short run, sometimes, a spurt in the growth of the money stock will boost economic activity rather than the price level, but over longer spans the relationship of money growth rates to inflation is close. The growth rate of the money stock shown here, M2, accelerated early in the recovery, in line with the past pattern, but then slowed

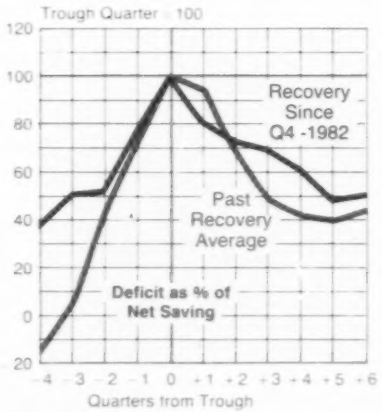






just as sharply. Interest rates have not risen as much as in the past average pattern, but rates are very high in absolute terms. It is widely believed that one reason for this is the federal deficit's large claim on the nation's total flow of saving. Although the deficit as a percent of net national saving has declined in line with the past recovery pattern, the absolute level of this figure (50% in the second quarter) is very high by historical standards.

Lora S. Collins



Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve Board; The Conference Board.

ECONOMIC ROAD MAPS

Eva Culen, Editor Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director
Prices for Quantities of this chart will be supplied on request to Information Service.

Published by
THE CONFERENCE BOARD, INC.
845 Third Avenue, New York, N.Y. 10022 Avenue Louise, 207 Bte 5 B-1050 Brussels, Belgium
THE CONFERENCE BOARD OF CANADA
25 McArthur Road, Ottawa, Ontario K1L-6R3, Canada